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## FISCAL IMPACT REPORT

SPONSOR: Cordova DATE TYPED: 2/1/03 HB HJR 2

SHORT TITLE: Veteran's Property Tax Exemption SB \_\_\_\_\_

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	4,200.0			Veterans
	(4,200.0)			Non-Veterans
	0.0			State and Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

#### Responses Received From

TRD

### SUMMARY

#### Synopsis of Bill

House Joint Resolution 2 proposes to eliminate the current stipulation that only honorably discharged veterans that served during periods of armed conflict are allowed to claim the exemption. Hence *all honorably discharged veterans, irrespective of when they served*, would be eligible for exemption amounts described above.

#### Significant Issues

Senate Joint Resolution 1, enacted in the 2001 legislative session, allowed voters to consider an amendment to the New Mexico Constitution increasing the current \$2,000 veteran exemption to \$2,500 in tax year 2003, \$3,000 in 2004, \$3,500 in 2005 and \$4,000 in 2006, where it would remain. Voters approved it.

**FISCAL IMPLICATIONS**

TRD notes that allowing all veterans to claim the exemption would expand the number of claimants from 80,000 to approximately 124,000, because, according to census figures, roughly 177,000 veterans currently live in New Mexico but, on average, 70 percent of New Mexico's residential property is owner-occupied (177,000 x .7 = 123,900). Hence, after increasing the exemption from \$2,000 to \$4,000 and simultaneously allowing all veterans to claim it, the resulting reduction in base would be approximately 124,000 x \$4,000 = \$496 million. This is an increase over the baseline—assuming the adoption of the increase to \$4,000—of \$176 million. With the proposed exemption, veterans would have total tax relief of approximately \$12.9 million ( $\$4,000 \times \$26/\$1,000 \times 124,000$ ) -- an increase of roughly \$4.5 million over present law plus the effects of 2002 Constitutional Amendment #1.

The relief provided to veterans would be largely offset by rate increases for all residential taxpayers due to the loss in base. This would occur as the yield control mechanism increased operating rates due to loss in base referred to as "valuation maintenance", and as debt rates increased to offset base reductions.

Since the base reduction under this proposal would total \$176 million or about 1 percent of the current \$17.1 billion residential portion of the base, rates would, on average, increase by *roughly* 1 percent, and net relief provided to veterans would total \$4.4 million, or 99 percent of \$4.5 million. There are a few cases where rates would not be able to adjust, but they would be minor because 1) the base grows at about 2 to 3 percent annually, and 2) the exemption would increase gradually over a period of five years. Hence revenue losses to property tax recipients -- school districts, counties and municipalities -- would be insignificant.

Finally, it should be noted that, according to the Veterans Service Commission, approximately 8,000 disabled veterans will probably qualify for the total property tax exemption likely to emerge from this year's legislative session due to the recently approved constitutional amendment. As a result, effects of the proposed measure would be slightly less because some portion of the disabled veterans would qualify for the partial exemption that is the subject of the proposed legislation.

**OTHER SUBSTANTIVE ISSUES**

TRD has provided the following table that details the impacts by county.

County	Residential Net Taxable Value	Number of Veterans Exemption Claimants	Estimated Base Reduction Col (3) x \$2,000	Estimated Claimants If All Vets Claim* Col (3)x 177/80	Col (5) Adjusted for Renters Col (5) x.7	Effect of Allowing All Vets to Claim Col (6) x \$2,000	All Vets Claim And Exemption Increased to \$4,000 Col (6) x \$4,000
Bernalillo	6,563,709,450	28,193	56,385,666	62,377	43,664	86,249,185	174,654,600
Catron	34,040,089	236	471,048	521	365	720,529	1,459,071
Chaves	316,698,862	2,818	5,636,748	6,236	4,365	8,622,137	17,459,827
Cibola	71,241,594	858	1,716,139	1,898	1,329	2,625,057	5,315,741
Colfax	125,579,751	921	1,842,083	2,038	1,426	2,817,705	5,705,852
Curry	232,012,832	1,864	3,727,496	4,124	2,886	5,701,688	11,545,919
DeBaca	8,533,316	150	300,561	332	233	459,747	930,988
Dona Ana	1,282,824,463	6,640	13,279,245	14,690	10,283	20,312,327	41,132,461
Eddy	282,715,330	2,198	4,395,605	4,863	3,404	6,723,648	13,615,386
Grant	231,947,637	1,742	3,484,422	3,855	2,698	5,329,875	10,792,997
Guadalupe	21,817,535	217	433,116	479	335	662,507	1,341,577
Harding	3,323,453	65	129,515	143	100	198,110	401,173

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Hidalgo	17,094,261	175	349,633	387	271	534,809	1,082,988
Lea	219,482,471	1,718	3,435,483	3,801	2,660	5,255,017	10,641,409
Lincoln	387,430,401	1,132	2,264,516	2,505	1,754	3,463,871	7,014,338
Los Alamos	432,501,520	797	1,593,010	1,762	1,234	2,436,715	4,934,348
Luna	125,886,977	1,121	2,242,465	2,481	1,737	3,430,141	6,946,035
McKinley	186,141,370	921	1,842,540	2,038	1,427	2,818,404	5,707,268
Mora	33,466,768	312	624,986	691	484	955,997	1,935,894
Otero	388,621,086	3,868	7,736,386	8,558	5,991	11,833,805	23,963,456
Quay	37,644,048	634	1,267,528	1,402	982	1,938,848	3,926,168
Rio Arriba	261,004,441	1,374	2,747,791	3,040	2,128	4,203,103	8,511,283
Roosevelt	88,380,828	655	1,309,689	1,449	1,014	2,003,339	4,056,762
San Juan	597,713,363	3,068	6,135,564	6,787	4,751	9,385,140	19,004,909
San Miguel	214,966,404	1,321	2,641,388	2,922	2,045	4,040,345	8,181,699
Sandoval	1,046,466,820	4,412	8,824,847	9,762	6,834	13,498,747	27,334,964
Santa Fe	2,724,893,844	5,164	10,327,929	11,425	7,998	15,797,906	31,990,760
Sierra	109,803,323	1,006	2,012,219	2,226	1,558	3,077,950	6,232,848
Socorro	61,860,174	790	1,580,130	1,748	1,224	2,417,014	4,894,453
Taos	414,261,170	1,392	2,784,408	3,080	2,156	4,259,113	8,624,704
Torrance	97,736,814	785	1,569,575	1,736	1,215	2,400,868	4,861,759
Union	20,145,945	244	488,664	541	378	747,475	1,513,637
Valencia	482,599,526	3,152	6,304,577	6,974	4,882	9,643,668	19,528,427
Totals	17,122,545,866	79,942	159,884,972	176,873	123,811	244,564,791	495,243,701

Information sources: Abstract Reports submitted by County assessors, rate certificates issued by Department of Finance & Administration and the U.S. Census Bureau. \*Current census data is not available regarding the number of veterans on a county-by-county basis, nor are figures available on the total number of veterans in New Mexico from the 2000 census. Census *estimates* based on a sample population of the 2000 census suggest roughly 177,000 veterans live in New Mexico, however. Current claims for the \$2,000 veteran exemption by county were therefore expanded as shown in columns (5) and (6) to provide estimates of claimants likely in each county if all veterans are provided with the exemption.

SN/prr